

50-275/325

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13 UNITED STATES BANKRUPTCY COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN FRANCISCO DIVISION

16 In re
17 PACIFIC GAS AND ELECTRIC
18 COMPANY, a California corporation,
19 Debtor.
20 Federal I.D. No. 94-0742640

21 Case No. 01-30923 DM
22 Chapter 11 Case
23 Date: May 20, 2002
24 Time: 1:30 p.m.
25 Place: 235 Pine Street, 22nd Floor
26 San Francisco, California

27 DECLARATION OF RONALD BATTLES IN SUPPORT OF MOTION
28 FOR AUTHORIZATION TO INCUR AND PAY
CERTAIN PROCUREMENT EXPENSES

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HOWARD
RICE
NEMEROVSKI
CANADY
FALK
& RABKIN
A Professional Corporation

DECLARATION OF RONALD BATTLES

1 I, Ronald Battles, declare:

2 1. I am a Manager in the Purchasing Department for Pacific Gas and Electric
3 Company ("PG&E"), the debtor and debtor-in-possession in this Chapter 11 case. I am
4 responsible for overseeing the procurement of technical, maintenance and construction
5 service contracts for PG&E. This declaration is submitted in support of PG&E's Motion for
6 Authorization to Incur and Pay Certain Procurement Expenses (the "Motion"). Defined
7 terms used herein shall have the meanings set forth in the Motion. I make this declaration
8 from personal knowledge and if called as a witness, could and would testify competently to
9 the matters set forth herein.

10 2. PG&E holds approximately 3,500 contracts for goods and services,
11 including, for example, contracts for wood pole replacement, tree trimming and brush
12 removal, facility construction and maintenance, and software license agreements. Many of
13 the goods and services represented by these contracts are essential to day to day operations
14 and generally require a vendor's specialized knowledge or equipment. A majority of these
15 contracts service a single line of business and will either be retained by the Reorganized
16 Debtor or assigned to one of the New Entities. However, approximately 1,200 of PG&E's
17 existing contracts represent goods and services that are currently shared among two or more
18 of the business lines. In most cases, the existing "shared" contract will be retained by the
19 Reorganized Debtor; in a limited number of cases, the existing "shared" contract will instead
20 be assigned to the New Entity that represents the largest user of the applicable goods or
21 services. As a result, the New Entities (and in a limited number of cases, the Reorganized
22 Debtor) will need approximately 1,200 new contracts ("New Contracts") for the goods and
23 services that are currently shared.

24 3. PG&E's typical procurement process involves the solicitation of
25 competitive bids from three or more pre-qualified vendors. The vendor qualification process
26 may involve one or more of the following: verification of a potential vendor's experience
27 and quality through reference checks, a financial assessment of potential vendors,
28 manufacturing plant site inspections and sample product analysis. After vendors have been

1 pre-qualified, PG&E develops specifications regarding the goods and services to be
2 provided. Specifications may include engineering and design standards, performance
3 criteria, and commercial and legal terms and conditions. In conjunction with development
4 of the specifications, PG&E establishes its vendor selection criteria, which might include
5 such factors as cost, delivery or construction schedule, and participation in PG&E's vendor
6 diversity program. PG&E then provides the vendors with instructions regarding the bidding
7 process, collects and evaluates the bids, and makes a vendor selection based on the vendor
8 selection criteria. The final step in the process is to document and enter into a written
9 contract with the vendor, based on PG&E's previously developed specifications and the
10 vendor's bid proposal.

11 4. PG&E does not always use a bidding process for new procurement
12 contracts, for example, in situations where only one vendor meets the qualification criteria or
13 PG&E has worked with a particular vendor in the past and believes that such vendor is the
14 best choice for the particular goods or services needed.

15 5. The temporary staff and consultant described below will assist PG&E with
16 the process of obtaining New Contracts for goods and services that the New Entities will
17 need to operate (the "Procurement Work"). While PG&E has in-house expertise in this area,
18 PG&E requires substantial outside assistance as a result of the volume of New Contracts
19 required and the limited time period for completion of the work. The contractors described
20 below will perform their portion of the Procurement Work at the direction of and under the
21 supervision of PG&E.

22 6. Buyers. PG&E intends to utilize approximately 20 individuals as buyers
23 ("Buyers"). These individuals will be hired on a temporary basis through Corestaff
24 Services, Inc. ("Corestaff"), a staffing agency. Under the direction of a PG&E supervisor,
25 the Buyers will be responsible for coordinating and conducting negotiations for the New
26 Contracts. This will include developing technical and commercial requirements, identifying
27 and qualifying vendors, establishing bid evaluation criteria, soliciting proposals from
28 vendors, negotiating contract terms and conditions, and contract documentation.

1 7. The total estimated expenditure for the Buyers' work described above is
2 approximately \$3.5 million for the period beginning May 2002 and continuing to the
3 Effective Date (as defined in the Plan), or such earlier date on which the Procurement Work
4 has been completed. PG&E would pay the Buyers, through Corestaff, on a weekly or bi-
5 monthly basis, based on the number of hours worked by each Buyer.

6 8. Clerks. PG&E also intends to utilize approximately 10 individuals as clerks
7 ("Clerks"). These individuals will also be hired on a temporary basis through Corestaff.
8 The Clerks will support the Buyers as well as PG&E staff performing the Procurement Work
9 and will perform general office services, such as typing, filing, copying and answering
10 telephones.

11 9. The total estimated expenditure for the Clerk's work described above is
12 approximately \$400,000, for the period beginning May 2002 and continuing to the Effective
13 Date (as defined in the Plan) or such earlier date on which the Procurement Work has been
14 completed. PG&E would pay the Clerks, through Corestaff, on a weekly or bi-monthly
15 basis, based on the number of hours worked by each Clerk.

16 10. Consultant. PG&E also intends to utilize Stan Miyamoto ("Consultant") to
17 assist with project planning, scheduling and cost management support with respect to the
18 Procurement Work. Consultant is experienced in providing project management support and
19 has previously performed similar services for PG&E.

20 11. The total estimated expenditure for Consultant's work described above is
21 approximately \$80,000, for the period beginning May 2002 and continuing to the Effective
22 Date (as defined in the Plan) or such earlier date on which the Procurement Work has been
23 completed. PG&E would pay Consultant on a monthly basis as work is completed, based on
24 monthly billings by Consultant.

25 12. The Procurement Work is essential to the implementation of the Plan.
26 PG&E estimates that it could take up to nine months to complete the Procurement Work
27 necessary to enable the New Entities to operate their respective businesses. The timing will
28 vary, for example, depending on whether PG&E's existing vendors will require substantially

1 different terms for New Contracts, or whether many of the New Contracts can replicate
2 existing contract terms; for certain New Contracts, it may be necessary to develop new
3 vendor relationships, which could extend the time required for completion of the New
4 Contracts. Therefore, given the volume of work and the time that may be required for
5 completion, PG&E believes that the work must begin now.

6 13. PG&E's standard contractual provisions in place with Corestaff and
7 Consultant do not guarantee future work or any minimum amount of revenue. PG&E also
8 maintains the right to terminate the work at any time without cause, in which case PG&E is
9 liable only for work performed to the date of termination plus costs reasonably incurred by
10 the contractor in terminating any work in progress. Also, any New Contracts that are
11 negotiated prior to the Effective Date would not obligate PG&E to incur any costs or other
12 liabilities unless and until the Effective Date occurs.

13 I declare under penalty of perjury of the laws of the United States that the
14 foregoing is true and correct, and that this declaration was executed at San Francisco,
15 California on April 29, 2002.

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18 RONALD BATTLES

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